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# Defining the New Role of the Regions in Overseeing and Coordinating Regional Development in Bulgaria

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## **Foreword**

A friend of mine says that economic development is not about what is needed. It is about opportunity. He gave his proposed strategy for economic development of the regions the title “Emerge to Compete”.

This very vision of emerging to compete is the emotional background of the present work. All that follows is very much related to my belief that focus should move from needs to opportunities, from a concentration on what’s not working and heavy emphasis on past and present wrongs to a concentration to what is possible, what else and what novel should be done as to develop. This work is about opportunities. It is meant as an effort to identify the policy options for Bulgaria to enhance its regional development and succeed in the highly competitive European market.

Regionalization is and remains a major challenge for political, economic and social development in Bulgaria. It challenges both the public administration reform related to post-socialist transformation and state building processes, and regional development and regional policies. In light of Bulgaria’s application to join the EU, it tests country’s capacity to adequately respond to the EU requirements and to understand, conform and adapt to the EU regional policy. On the global arena, it trials the country’s response to new developments such as interregional arrangements, cross-border cooperation, multi-level governance, etc.

As government reform is always both political and administrative, regionalization may be considered both a part of the decentralization process and a motor for regional development. In terms of reforms, it challenges the political will and the ability of the ruling majority to formulate sound regional policy, do effective programming, planning and monitoring, successfully mobilize the available development instruments and finances, efficiently implement set up development policies. From a civil society perspective, it tests the capacity of different stakeholders-parliament, government, local self-government and associations of municipalities, political parties, interest and lobby groups, non-for-profit sector, and other social and economic partners to mobilize efforts for development and find sufficient representation of public and private interest in working modes of regional policy.

This work is concerned with regional policy and regional development in Bulgaria. It will discuss decentralization, institution building at intermediate level and multi-level governance only in relation to regional policy and regional development. Broader issues, including the development of the administrative reform towards introducing second tier of government at regional level, are present only as a policy options and are being discussed on a limited scale.

# **I. REGIONS, REGIONAL POLICY AND REGIONAL DEVELOPMENT IN BULGARIA**

## **A. Introduction**

### **1. Regions, Regional policy and Regional development- Notions, Definitions, Terminology used**

The notion of a region in Bulgaria is and remains ambiguous for the purposes of Bulgarian regional policy. More to that, there is lack of political consensus on what a region is. Respectively, there is no legal definition of region in any of the texts adopted. The very fact that there is no universal definition of region in European context and the existing various approaches in EU member states, leaves a room for some freedom of choosing the appropriate definition. However, a *condicio sine qua non* in taking one or another position to regions is reaching a political consensus on what the region is. Speaking formally, a possible point of departure may be the text, introduced by “Transition Measure ?1” of the Charter of the Congress of Local and Regional Structures in Europe, adopted in Strasbourg, 1994. According to the definition accepted a region is “the administrative power at a level below the national government, which has its own functions in governance and elected bodies”. Under the existing public administration system in Bulgaria a region might be defined as “the administrative power at a level below the national government, which has its own functions in management in the area of regional development and its own institutional structure”.

As the names of administrative units vary across the EU and the CEECs and are very country-specific, it is necessary to state the exact translation of the Bulgarian administrative units for the purposes of this present research.

Municipality represents the Bulgarian work *obstina* and is the basic unit of local government. There are 263 municipalities in Bulgaria at the moment.

District represents “*oblasti*”, which are administrative- territorial units according to the Administrative Division Act. At the moment Bulgaria has established 28 *oblasti*.

Furthermore, in the framework of regional development policy the relevant notions are being defined as follows:

"Regional development" in the wording of the current Act is a “process of achieving sustainable and balanced development directing resources, infrastructure construction and economic activities to certain regions”.

"Policy for regional development" is “an element of the structural policy implemented with purposeful, planning and financially ensured impact of the state and the municipalities over the regional development”.

"Region for growth" is a “region for purposeful impact comprising the territory of a municipality or a group of municipalities of a big town with developed economic functions, technical and social infrastructure, chosen to be stimulated with regard to the realisation of sustainable economic growth with national effect (in extent more than two times the average rate of growth of the gross domestic product in the country). The region for growth shall be possible to comprise the territory of a region or a group of neighbouring regions.”

"Region for development" is a region for purposeful impact comprising the territory of a municipality or a group of municipalities of a town with existing technical and social infrastructure, chosen to be stimulated for achieving economic development (increase of the

gross domestic product in extent bigger than the average for the country), with regard solving regional problems. The region for development shall be possible to comprise the territory of a region or a group of neighboring regions.

"Region for transborder cooperation and development" is a "region for purposeful impact comprising territory by the border of a group of municipalities where are implemented projects for transborder cooperation with regard to improvement of the economic development and solving regional problems. The region for transborder cooperation and development shall be possible to comprise the territory of a region or a group of neighboring regions".

"Region with specific problems and priorities" is a "territory for purposeful impact comprising the territory of a municipality or a group of municipalities which is determined for regional impact or support with regard to solving of urgent regional problems and/or restriction of degradation processes in the economic and social sphere (region in industrial decline, backward rural region, mountainous region). The region with specific problems and priorities shall be possible to comprise the territory of a region or a group of neighboring regions."

## **2. Regionalization and Regional Development Policy in Bulgaria**

### **2.1. Regionalization in Bulgaria before 1989**

To Bulgaria, similar to the other CEECs, the concept of regional policy is not totally new. Before 1989 and under conditions of a centrally-planned economy and centrally-led management system, it was characterized by central decisions that generally affected regions following the national industrialization plans. These decisions were very much taken on the basis of political considerations not taking sufficient account of specific needs, economics and specific interests of local and regional governments.

Records of regional disparities began to appear in the early 1980s /Kamenova/ for which the state planning committee of the socialist government had proved unable to provide solutions. Bulgarian regional policy faced the challenge of both overall underdevelopment and considerable regional disparities. Particularly serious socio-economic disproportions were encountered in the frontier and mountain regions /Strandja Sakar mountain and the Rhodopes/. The political response of the State Planning Committee in charge of the strategic planning of the country was to launch a development program to encourage local economic development and attract funds and human resources by providing social benefits to its residents. This development policy did not produce significant positive results due to the lack of private entrepreneurship, poor infrastructure, insufficient financial resources, inefficient production units and the lack of human potential in the specified underdeveloped areas. The final effect of the inefficient development policies before 1989 was that the existing regional disparities of a serious magnitude remained, but on a considerably low overall economic development level compared to the Western standards /LGI/.

In addition, some sectoral development policies, in particular those concentrating on the development of some specific industries /heavy industry, metallurgy, chemical industry/ considerably changed some regions. The crisis in many of these sectors after 1989 not able to

survive the pressure of the market /industrial decline, massive unemployment, etc./ sharpened the economic and social problems and added to the disproportions in general.

## **2.2. Regionalization and Regional Policies in Bulgaria in the Period 1989-1999**

In the aftermath of the breakdown of socialist regimes after 1989, Bulgaria, similar to other CEECs shared a common starting point: the two main contradictory trends were evident: decentralization and fragmentation of local government on the one hand and the re-centralization and re-concentration of central power on the other hand. This has lead temporarily to the effect that the importance of regional policy and regional governance was deflated/ Hughes, Sasse, Gordon, 2001/.

Bulgaria as a transition country /from centrally planed to a market economy/ faces serious problems with all transition countries in formulating and implementing regional development policy. The shock therapy prevailing philosophy after 1989, the disintegration of the party-controlled state bureaucracy and the increasing capacity of the state for direct economic intervention resulted in the paralysis of even the centrally planned regional policies.

The economic and social transformation caused of the 1990a increased regional disparities. As a result of the economic transformation deep regional differentiation emerged. Despite the growing scale of regional disparities, there was no systematic, coherent policy developed to effectively address regional development. A compact and stable legal environment was also lacking during the 1990s. In addition, very limited powers and resources were granted in this field. The prevailing approach to regional development was highly centralized and state centrist. In fact, specific decisions in favor of regional development were often of individual nature and presented short-term initiatives. Interventions were not converted into functioning policies or more efficient individual tools or support schemes. In many ways, the tasks of regional policy in the 1990s were determined to a great extent by the heritage of the former political and economic system. Central state institutions formulated ad hoc policies and organized their implementation within various ministries, financed mostly from the state budget. Regional governors and municipalities at regional and local level have been given limited role, mostly in implementation activities. Regional policies had more a declaratory character with a lack of relevant financial, institutional, personal and operational capacities. Thus, the main characteristics of regional development in the 1990s include the following:

- lack of coherent, systematic and long-term vision regional development policy;
- lack of political vision and will to address regional disparities and regional development;
- lack of appropriate legal framework and codification of regional development /The Regional Development Act was first adopted in 1999/;
- centralization of powers and resources;
- no specific institutional capacity to address effectively regional development;
- institutional capacity centralized at state central level;
- uncoordinated and unbalanced planning based on various planning documents;
- weak programming dominated by too general analytical and conceptual documents;
- strong influence of sectoral approaches; fragmented and uncoordinated sectoral policies, lack of state aids control rules;
- scarce financial resources to finance activities related to regional development;
- lack of administrative capacity to address regional development /human capacity, trained specialists, resources/;

- minor role of regions-long term absence of institutions at regional level to address regional development;
- municipalities and associations of municipalities in the process of consolidation, not yet active partners in regional development.

The absence of a regional level of governance capable of effectively addressing regional development and the limited potential of local government units in this respect made a case where central government and state institutions were left the key role in formulating and implementing regional development policy. This role was poorly fulfilled for years.

The non-existence of a more elaborated and coherent regional policy and the pressure to respond in some format to social and economic problems in the regions called in for some individual measures by the central government aimed at improving the actual situation and confirming its political interest in the field. These measures envisage specific programs in favor of particular enterprises, initiatives to support university education in the regions. The main tools were subsidies, state guarantees of loans, tax holidays.

A major obstacle to the efficiency in addressing regional development issues was the instability of the institutional environment at central level. For the period revised there were several abrupt changes in political environment, which have left to frequent personnel changes at level of government, changing priorities and reservations and negation of work done previously. Combined with the lack of appropriate tradition in the field, institutions responsible for regional policy at the national level had indeed very limited room for maneuver. Under the conditions, stated above, it may safely be assumed that it was not the growing regional social and economic disparities that challenged the development of regional policies in Bulgaria. Neither was regional development in Bulgaria a bottom-up initiative.

Similar to most CEECs, the acceleration of the regional policy formulation to its present format was prompted by the effort to join the EU and gain access to EU pre-accession funds. Action was also spurred by pre-accession negotiations on chapter 21 Regional policy and Structural Funds.

A series of institutional developments, the elaboration of basic documents and legislation rapidly improved the situation, especially after 1999.

## **2. 3. Regionalization and Regional Development Policy in Bulgaria after 1999**

### **2. 3.1. Legal framework to govern Regional development in Bulgaria**

From 1999 with the new Regional Development Act enacted, the basis for regional policies and instruments in Bulgaria has been established. The analysis of the legal framework to govern regional development in Bulgaria, including various drafts for new Regional Development Acts in progress, is interesting in many respects. It necessarily steps beyond the legal discussion over texts and attempts to enlighten the policies and interests that bring to life various approaches to regional development.

Legal framework to govern regional development in Bulgaria is to find in various acts of different legal nature. Its constitutional foundations are in the Bulgarian Constitution of 1991, which reflects an advanced local government philosophy ensuring self-governance at the low levels and the conduct of regional development policies by the State. This framework tries to ensure the stability of local self-government as (a) an autonomous democratic institution and (b)

as a tier of the national government. Already in Chapter One, Fundamental Principles, local self-government is proclaimed as such: "The Republic of Bulgaria is a unitary State on the basis of local self-government." (Article 2(1)). Article 135 of the Constitution states that the territory shall be divided into two main levels of local government, i.e., the Municipality, and the Region. Municipalities govern themselves by locally elected authorities or directly. Municipal self-governance bodies have general competencies with regard to local matters; but they also assume delegated authority from the State. In the decentralization of public authority, which it provides, the Constitution relies on the vertical separation of powers, in order to overcome the tension between central government and local self-government. A "region" shall be an administrative territorial "unit" (Article 142), entrusted to a governor who "governs" it (Article 143). The "regional policy" is one of "implementation of state government" (Article 142). Furthermore, the LSGLAA specifies that the region has "an administrative purpose" (Article 7) and that in this "unit", state authority is decentralised for the purpose of pursuing an "effective regional policy" (Article 68). Article 71 confirms that the regional governor shall "implement government policies" in the region. Therefore, at regional level, State authority is distributed geographically and the reconciliation takes place between national and local interests. This much is clear: the "unit-region" does not constitute "self-government" in the sense of Article 3 of the European Charter of Local Self-Government. Pursuant to Art. 142 of the Bulgarian Constitution a region shall be an administrative territorial unit entrusted with the conduct of a regional policy, the implementation of state government on a local level, and the ensuring of harmony of national and local interests. In the spirit of Article 7 of the 1991 Local Self-Government Act, a region is not considered to be a self-governing territorial unit, rather an area within which the state carries out its responsibilities and provides services and whose supreme administrative organ is the regional governor. The region includes one or more neighboring municipalities. On the other hand, regional management of territory (or of a territory sub-divided into regional units, which amounts to the same thing), is in reality very centralized. In commentator's view there is nothing exceptional about this situation as they consider it to be a product of the past /Drumeva, 1999/ It may be seen as an effort for departure from the old notions of socialist planning towards an adoption of the new concept of municipal "self-government". Article 71 of the LSGLAA provides that the "governor shall organize the development and implementation of regional strategies and programs for regional development". A question to ask is whether the governor shall have the means to carry out regional planning as apart from the state budget, there are no other instruments for economic or regional planning, nor are there regional development funds. The only development programs are those prepared by the municipal councils (Article 20, LSGLAA) which benefit from municipal development funds earmarked for large-scale investments.

Furthermore, Article 135(2) of the Constitution provides for the creation by law of administrative divisions, other than municipalities or regions. Prior to the amendment of 1995, the Local Self-Government and Local Administration Act (LSGLA) provided for districts, in addition to municipalities and regions, as a middle tier of local government linking local self-government and the locally deconcentrated authority of the State. Districts did exist in Bulgaria from 1880 until 1959, but for the purposes of the present-day administrative division system, they are a thing of the past.

In addition to its constitutional foundations, local and regional government in Bulgaria is governed also by the Regional Development Act of 1999. The Act provides a comprehensive legal basis of regional development and may be viewed as a framework law. Various acts have



been adopted as to regulate the field in full. Acts that govern particular aspects of regional development in Bulgaria are:

- the Local Self-Government and Local Administration Act of 1991 ;
- the Spatial Planning Act, adopted on 2.01. 2001, in force from 31.03.2001
- the Administrative Division Act of the Republic of Bulgaria of 1995;
- the Capital and Large Cities Territorial Division Act, adopted in 1995.
- the Administration Act, promulgated SG 130/1998, rev. version SG
- the Municipal Budgets Act of 1998
- the State Property Act, promulgated SG 44/1996, rev. version SG;
- the Municipal Property Act, promulgated SG 104/1996, rev. version SG 26/2000;
- the National Audit Office Act
- the State Internal Financial Control Act
- the Act on Social-Investment Funds of 2001.

A comprehensive legal framework has been created in the course of the legislative and administrative reform, undertaken by the Bulgarian parliament. As most of the acts were written with the European perspective in mind in an effort to bring the country's legislation closer to the requirements for harmonisation of laws spelled out by the European Union, these became subject to a continuous refinement and therefore, amended and reconsidered a number of times. The assessment of the European Commission on the compliance of the Bulgarian domestic legislation with the *acquis* of the EU restates the opinion that there is a partial compliance achieved so far. The chapter 21 Regional Development has not been closed yet. This means that a considerable work is yet to be completed as to satisfy the requirements of the EU. A matter of increasing importance in this respect becomes the adoption of the new Regional Development Act. The analysis, that follows, is a limited effort to present the legal framework related to regional development in Bulgaria. It elaborates on the scope and achievements of the legislative reform so far and contains some comments and recommendations concerning changes in the relevant legislation *de lege ferenda*.

The Regional Development Act of 1999 has been enacted with the purpose to "provide the planning, the management and the resource ensuring of the regional development". Its objectives envisage "creating of prerequisites for sustainable and balanced development of the different regions of the country, decrease of the differences of employment and incomes between the regions and implementation of the regional transborder cooperation and European integration". This act may be considered to be a framework law for regional development policy as it has established:

- the objectives and the main instruments of regional development /Art.2 and 3/;
- the types of regions for purposeful impact, the criteria for their determination and the related competences /Art.4/;
- the institutional basis for managing regional development by providing for the establishment of a Council for regional development at the Council of Ministers and regional councils for regional development /Art.4 to 11/;
- the legal basis for establishing planning regions composed of several regions /Art.9 par.4 and 5/;
- the planning mechanisms of regional development, the system of planning documents and their coordination with the National Plan for Economic Development /Art.12 to 16/;

- the financial framework for regional development by specifying its sources, promoting the principle of co-financing and co-ordination with the National Plan for Regional Development and the National budget, the municipal budgets, the off-budget funds and external sources /Art.17 to 21/;
- the information sources for regional development /Art.22 /.

All elements of the system for promoting regional development stated above would be elaborated in details in separate sections. In more detail, separate subchapters are dedicated to institutional framework of regional development, planning, financing, coordination and partnership, monitoring and assessment. With the objectives to present a complex and sufficiently realistic profile of regional policy and law in Bulgaria this analysis will project various arguments based on the current legal framework, the existing institutional arrangements, the draft acts in preparation, the assessment of experts and EU commentators, etc.

Under this above framework when heavy problems with insufficient absorption of EU pre-structural funds and increasing regional disparities are pushing up a new approach in regional development policy an adequate legal framework supporting effectively and efficiently regional development became a condition sine qua non.

As the Regional Development Act of 1999 was the first act to govern regional development it has been passed with the hope that time and practice will fill it with some more substance. However, realities have not quite met the expectations. As noted in the reasons to justify the need for a new Regional Development Act stated in the Motives to the new Regional Development Act of February, 2004, “one of the serious problems with its drafting, adoption and enforcement was its failure to regulate existing social relations and processes. Instead, it was intended to create them first and then regulate them”. Such approach, however, is not quite unusual in the post-socialist legalistic culture of Bulgaria. Similar case is the competition act case, for example, in a setting where both market competition and laws on market competition are being simultaneously created and emerging. In the case of competition, however, we have no such critical comments and considerably greater progress achieved. The problem with such argumentation is in its potential to redirect our attention to a different problem area, related but still aside from the core of the problem. Here we come to the second reason to justify the need of a new Act. It has been stated that “the existing Act does not build on a comprehensive national strategy for regional development in accordance with the prevailing conditions. In fact, it just started the process of developing such a strategy.” Notwithstanding the rather ambiguous formulation used, this statement reveals a fundamental problem in the regional development in Bulgaria. The real question is how far we are in developing a national strategy on regional development. Or put differently, is there a vision on regional development in Bulgaria in place. The analysis will address those and related questions over and over again in the course of this work as they touch an issue which is fundamental to the future of the Bulgarian regional development. As it needs an additional elaboration, for the moment we rest with raising the issue only.

The effort to justify the need of new act continues with the fact, that only a few months after its effective date, EC Regulation No. 1260 of 1999 was adopted concerning the general terms and conditions of the Structural Funds. Thus the major provisions of the Regional Development Act turned out to be in contravention with the said Regulation on the terms and conditions for appropriation of resources from the EU Structural Funds as a major source of financing of our regional policy.

To conclude is that the above “adverse factors brought to the limelight a number of imperfections of the Regional Development Act, the most important ones being as follows:

- It established a system of non-coordinated, frequently overlapping and inefficient planning documents, failing to comply with the requirements for the form and content of such documents in the *acquis*;
- The regulation of the development of various types of plans, programs and strategies under the Act, as well as their volume and content, was far from being complete. That led to big problems in the development and implementation of planning documents and the need for extensive secondary legislation adopted by the Council of Ministers and interpretative letters of the Ministry of Regional Development and Public Works;
- The authorities pursuing the regional development policy had obscure powers and functions that were defined inappropriately or lacked sufficient imperative nature. There was no effective system for coordination and control. Planning regions had no administrative structures. This fact, coupled with the lack of political vision with regard to the establishment of a second self-government level, reduced the government policy in the new regions to almost token action. Besides, those regions were too different in terms of territory and population. There were no provisions regulating the powers of local governments and the local administration under the Act;
- The Act failed to resolve the problems related to the provision of resources needed for regional development. There was lack of clarity with regard to the identification of the sources and mechanisms of financing or a system for expedient and lawful appropriation of resources;
- There was no appropriate regulation of the system for monitoring (supervision and evaluation) of the actions for implementation of planning documents. There was lack of clarity with regard to the criteria and indicators underlying the evaluation of the progress in the attainment of the objectives of various plans and programs or the adjustment of inappropriate management decisions. There was no legal regulation ensuring the establishment of an information system for the needs of regional development.”

Following such argumentation, a number of issues arise. The above mentioned weaknesses of the current law, which turn it into a not “really operational piece of legislation in conformity with the provisions of the *acquis communautaire*” belong to the bitter experience of the act’s implementation. What is important in this context is to understand the vision the drafters of the new act have about what made this present act unoperational and unimplementable. I can hardly agree with the first reason stated related to the difficulty in creating both regional policy and regional development act. It is difficult, but still doable. At least it was doable in most CEECs. The Regulations passed after the enactment of the act played their role in the need of its revision, but that role is a limited one. The most important argument in this respect is the stated lack of ‘a comprehensive national strategy for regional development in accordance with the prevailing conditions’. I would take the liberty and rephrase it into a lack of political vision. Fully aware of the instrumental and therefore necessarily limited power of the law to influence policy making processes, the question that comes is how the new act proposed contributes to building up such vision now and whether it facilitates the process or not.

Further questions to be raised relate to whether it really corresponds to the stated in the reasons need to “deep-going and large-scale changes of principle”, to the “urgent need for statutory

regulation of all social relations in this sphere”, and to the need to “give a clear and effective solution of all the above mentioned problems”.

The idea is to see which chances the new proposals have to cure the proven weaknesses of the current legal framework and enhance regional development in Bulgaria and what options for improvement exist. Critical comments are essential in this phase of development of the regional development policy in Bulgaria as any weaknesses of the new piece of legislature will exercise a direct and an extremely harmful effect on the developments in the field.

Furthermore, the new act in the words of its drafters is “expected to achieve the following major results:

- To establish a genuinely operational system of planning documents that are coordinated in terms of their volume, content, timing and scope, and drawn up and implemented by means of rapid, efficient and interrelated procedures;
- To establish a system of bodies and administrative structures in the field of regional development, which will act efficiently and in a coordinated manner so that to cover the full range of the activities within the scope of the Act;
- To establish a system for monitoring, control and evaluation of regional development activities, which will guarantee their lawful and efficient performance;
- To introduce a working legal framework, which is harmonized with the *acquis communautaire* and which creates conditions for the effective and smooth appropriation of regional development funds from EU Structural Funds in future.”

Does it indeed have the capacity to do so in light of the existing setting of political will, historical legacy, administrative capacity, institutional background, stakeholder policies, etc. With these and other fundamental questions in mind the analysis will briefly assess the new Regional Development Act of 2004. Noteworthy in this respect is to briefly mention some facts of the legislative history of the drafts prepared as they shed a light over the lack of a coherent vision on regional development in Bulgaria at this very moment. As the current act became increasingly unimplementable and the need of a new framework became essential there was a draft prepared in the summer of 2002, subjected to a profound discussion at expert and political level. Later on, in a final stage of its preparation due to political changes related to the resignation of the Minister of Regional Development and Public Works, a new draft has been prepared, which has been approved in February 2003 by the Council of Ministers and entered the Plenary Hall of the Parliament for adoption in march 2003. However, meanwhile it seems that there was almost no public debate on it. Indeed, regionalization in Bulgaria was never supported by an efficient information and media campaign. As a result, the public remained often uninformed, without reliable information, and in doubt as to the reasons for changes. This makes very free interpretations possible. The need to build public support for regionalization will be addressed further in the recommendations part.

With the above comments in mind, the following is an effort to present the legal framework for regional development as reflected in the new Regional Development Act of February, 2004. I would hereby make a reservation that the assessment will touch only fundamental issues and not go into further details.

### **2.3.2. Fundamental Principles Underlying the new Regional Development Act of 2004**

The new Regional Development Act is structured in seven chapters, additional, transitional and final provisions.

Chapter One Common Provisions defines the objectives of the Act and the tasks and priorities of the national regional development policy. This is the most specific, clear and precise definition of the fundamental principles aimed at ensuring consistency and continuity in the regional development policy.

Chapter Two Strategic Planning of Regional Development regulates the system of strategic planning documents for the formation and implementation of the regional development policy. The system includes four documents, i.e. the National Regional Development Strategy, Regional Development Plans, Administrative Regional Strategies and Municipal Development Plans. The Act does not regulate the matters related to the National Development Plan because it goes beyond the scope of the bill. The main planning document of regional policy is intended to be the National Regional Development Strategy, integrating its major provisions with the forecasts of the National Development Plan, thus becoming part and parcel of the latter. The draft regulates the content of the various planning documents, their relationship and the manner of their implementation. The Minister of Regional Development and Public Works is intended to issue Regulations on the volume, content, terms and conditions for the drafting, adoption and implementation of planning documents.

Chapter Three Regional Development Action Plan regulates the operational document for the implementation of the National Strategy and Regional Development Plans, i.e. the Regional Action Plan. This document will bind together and synchronize the identification and implementation of regional development activities funded from the state budget, pre-accession instruments and, in future, the EU Structural Funds, taking into consideration all requirements of the *acquis communautaire*.

Chapter Four Management of Regional Development dwells on the definition of the powers and functions of the bodies responsible for the drawing up and implementation of the regional development policy, as well as their interrelations. The statutory provisions are in full compliance with the requirements for the institutional building of regional policies set out in EC Regulation No. 1260 of 1999 concerning the general terms and conditions of structural funds. There is strict observance of the requirements for existence of collective advisory bodies at all planning levels so that to develop the relevant policy, to assist its implementation, and to evaluate the projects implemented. The draft offers a solution to the issue of the need for government administrative structures in development regions in the form of regional coordination units of the Ministry of Regional Development and Public Works. Thus the implementation of the national policy for regional development at the level of NUTS II regions in accordance with the EUROSTAT classification is institutionally provided for, in spite of the lack of a second self-government level in the country.

Chapter Five Development Regions and Special Impact Areas provides for the establishment of two types of regional structures, within the boundaries of which the regional development policy is pursued. It should be noted here that these are not administrative territorial units or territorial units within the meaning of the Administrative Territorial Division Act of the Republic of

Bulgaria. The six development regions are parts of the national territory, where the national regional development policy is decentralized and strategies, plans and programmes are implemented in the field of regional development and economic and social cohesion. In special impact areas, the government policy is intended to provide special assistance to certain parts of the country so that to resolve specific problems and to overcome the existing discrepancies in the social and economic development. It is through the resolving of their specific problems that a more balanced and fair development of all regions will be achieved.

Chapter Six Financing and State Aid to Regional Development regulates the issues related to the financing and state aid to regional development. It specifies the ways in which financial resources are provided for the implementation of regional development strategies and plans, and the mechanisms for allocation and appropriation of these resources. It is important to note that the Act provides for the establishment of the Regional Development Fund to be used for financing of regional development. The State Budget Act for the respective year has to explicitly mention the resources for co-financing on part of the Republic of Bulgaria with the resources from the EU funds, and the resources for financing of municipalities that will not be beneficiaries of such resources during the respective year.

Being in full compliance with the *acquis communautaire*, Chapter Seven Control, Disclosure of Information and Transparency regulates the monitoring and information servicing of regional development activities. A Monitoring Committee is to be established in order to approve or adjust the programme annex to the Regional Action Plan and, more specifically, the natural and financial indicators for monitoring of its implementation, to review and approve the selection criteria applied to the projects financed under each planning document, to review the progress in the attainment of the objective of the planning documents, and to evaluate their implementation.

#### Framework for Reform

There is a recognized need for a comprehensive, explicit distinction between the main policy instruments: the Regional Development Act and the Spatial Planning Act, as well as for their coordination and bringing into compliance

The relationship Regional Development Act/ State Aids Control Act should be elaborated in a comprehensive manner by virtue of a separate regulation

The two draft acts prepared: the Black Sea Coastal Area Act and the Mountain Territories Act need to find further development as they are to govern the division and the sustainable development of those two extremely important parts of the national territory. /Mountain areas have been designated as regions with specific problems and priorities by the Regional Development Act of 1999. In case the enactment of a special legislature is being postponed the Council of Ministers may take the option of specifying the scope of the mountain regions and undertake special measures for them./

### **2.3.2. Institutional Framework and Administrative Capacity**

The process of building up the institutional structure of regional development in Bulgaria needs to be assessed along the following lines:

- Building up the responsible institutions and defining their role, responsibilities and competences;
- Building up the inter-institutional and internal relationship among the various units based on efficiency, transparency, coordination and partnership;
- Building up the administrative capacity at all levels.

### **2. 3.2.1. Building up institutions for regional development**

Building up the responsible institutions and defining their role, responsibilities and competences has been and remains a major challenge notwithstanding the considerable progress made so far.

The levels of authority in formulating and implementing regional policy in Bulgaria are:

The Council of Ministers: it has the overall responsibility for formulating and implementing regional development policy; adopts the National Regional Development Plan /NRDP/, the National Economic Development Plan /NREP/, the annual report on the performance of NRDP as well as its updating, designates the areas for targeted interventions and carries out the coordination of central and territorial bodies of executive power and their administrations. The Regional Coordination Directorate: it is established within the Council of Ministers as to assist the interaction between central and regional authorities, provide methodological support to them and prepare statements on regional development strategies and projects. The Economic Policy and European Integration Directorates: within the Council of Ministers they are responsible for participating in EU funded programs. The Regional Development Council: it has been established within the Council of Ministers with the function to coordinate the NRDP prior to its submission to the Council of Ministers, to coordinate the activities in various ministries and agencies of regional character and impact and the accounts of extra-budgetary funds.

The Ministry of Regional Development and Public Works is a key actor in managing and implementing regional development at central level. It organizes the preparation of the NRDP, supported by the Central Coordination Unit, with representatives of the major ministries and agencies. With the purpose to improve planning and coordination, in 1999-2000 the structure of the Ministry has been reorganized and a Chief Directorate “Regional Development and Administrative-Territorial Division” has been established. The latter has set up its territorial units in the 28 district centers, as well as in the centers of the 6 planning regions. In March, 2002 a new department for programming and coordination within the Chief Directorate for Regional Policy at the Ministry of regional Development has been established. Within the same ministry, a High Council of Experts has been set up as well as a consultative body, composed according to the partnership principle. It shall revise the regional development plans before their submission to the Council for Regional Development and the Council of Ministers.

The Ministry of Finance: this ministry has an increasingly important role in regional development. Beyond its role in programming and planning /it prepares the Budget Act draft, including the finances for the municipalities, and the Public Investment Program/, in May, 2002 it has been entrusted by the Council of Ministers by virtue of a regulation adopting a strategy on the Preparation for EU Structural Funds to coordinate for the preparation and implementation of Structural and Cohesion Funds assistance. The Ministry of Finance became the authority responsible for the co-ordination of programming of Structural Funds assistance. In addition, it became the Managing Authority for the Community Support Framework and for the Cohesion Fund. The Strategy enacted by the Council of Ministers provides for a number of operational

programs /OP/, including Regional OP /to be managed by the Ministry of Regional Development and Public Works/; OP on Competitiveness of Bulgarian industry / to be managed by the Ministry of Economy/; A Development of Human Resources OP /to be managed by the Ministry of Labor and Social Policy/ and an OP on Rural Areas Development /to be managed by the Ministry of Agriculture/. Directorate “National Fund” within the Ministry of Finance is the future paying authority for all Structural Funds and the Cohesion Fund. As regard programming, the Strategy clarified that the Agency for Economic Analysis and Forecasts at the Ministry of Finance will be responsible for coordinating and updating the National Development Plan.

The Commissions for Economic and Social Cohesion /CESC/: they are to operate at the level of the six planning regions and are meant to become instruments for the endorsement of regional development plans and programs prior to their submission by the Minister of Regional Development to the Regional Development Council. Established through legislation adopted in 2000 they include representatives of the central institutions, all district governors in the region, representatives of local authorities and administration, in the region, as well as economic and social partners. These commissions are not in operation efficiently as there are no regional funds, the administrative structures are not developed and there are no regulations for the functioning of the territorial offices.

The District Governor /the Regional Governor/: A regional governor appointed by the Council of Ministers leads the state policy within the district; organizes the preparation and implementation of district development strategies and programs; coordinates the activities of decentralized executive authorities at the district level and their relations with local authorities; presents the regional plan for development and the annual report for its fulfillment to the Minister of Regional Development and Public Works, establishes relations with local government bodies. The regional governor who acts as the only official representative of the Council of Ministers and represents the key ministries at regional level is a key figure in conducting regional policy. He carries the main responsibility for pursuing the regional policy and the harmonization of national and local interests at district level. For implementation of activities for regional development with importance and scope above the region the regional governor shall be able to conclude agreements for association with other regions.

The District Councils for Regional Development: they shall assist the regional governor in the implementation of his functions with a function in preparation of the regional development plans and the annual reports on its implementation. Chairman of the regional council for regional development is the regional governor and its members - the mayors of the municipalities in the region and one representative of the municipal council of each municipality. However, representatives of the decentralized structures of the central institutions, as well as NGOs and others, may also participate in its sessions upon an invitation by the regional governor. Regional councils are viewed as instruments for coordination and partnership at district level. They express statements about the worked out regional plan for development and the annual report for its implementation.

The municipalities: they have a specific role in regional planning and in the implementation of regional development policies as a main partner of the central authorities. The programming and planning documents of the municipalities are the basis of the so-called “bottom-up” approach in regional planning. In 2000 a large number of municipalities have prepared their own strategies for development, which have been further incorporated into the district development plans. Local authorities have a considerable potential for generating ideas, initiatives and projects for development, and they are naturally the main partners of the central authorities in the process of



elaboration of regional development plans. This function includes participation in the District Councils for Regional development, in the CESC's, in the planning regions, and at national level- participation of a representative of the National Association of Municipalities in Bulgaria in the Council for Regional Development at the Council of Ministers.

#### **2.3.2.2. Ensuring coordination among various units**

Coordination between various units of regional development institutional structure becomes a matter of increasing concern. The more the administrative units become in number the more difficult their coordination turns. Coordination in this context means at least two things:

- to guarantee compliance, consequences and consistency among various strategies and policies;
- to negotiate and reach agreement among various participants /Hauser, 2001/.

A coordination unit needs to have a sufficient influence and be well accepted as to avoid political tensions. In this respect, clear definition of the roles, functions and responsibilities of each unit is essential. With this coordination purpose in mind, the specific units mentioned above have been established; the internal acts of the relevant ministries have been amended as to improve the institutional structure, clarify responsibilities and functions with regard to planning, programming, implementation, control, etc. Beyond that, as commentators note “the government should guarantee that the structures for inter-ministerial coordination are efficient and based on political consensus” /Hauser, 2001/. The recommended step has been to designate one authority only which will after accession to the EU take over the management of Structural Funds. Now, following the adoption of a strategy on the Preparation for EU Structural Funds from May, 2002, the Ministry of Finance has been entrusted by the Council of Ministers to coordinate for the preparation and implementation of Structural and Cohesion Funds assistance. The question, however, remains whether all that organizational steps taken towards improving the coordination among various units have achieved the above objectives.

Coordination problems, however, exist not only among institutions, but also within institutions. Reorganizations, often insufficiently well founded, and often disproportioned and politically biased changes of personnel contribute to lack of consistency in implementing policy and poor coordination. Given the deficit of qualified and trained personnel and the general low administrative capacity such policy becomes a political luxury one cannot afford. In this respect commentators emphasize how important it is that the government guarantees that coordination structures are based on political consensus, have a clearly defined mandate and are backed by strong political support /Kapitanova, 2002, Hauser, 2001/.

The following analysis attempts to shed some light on the above issues.

#### **2.3.2.3. Assessment of the current institutional system of regional development in Bulgaria /units, coordination, administrative capacity/**

A start in commenting the institutional system to formulate and implement regional policy in Bulgaria is the assessment of the EU Commission in its Regular Report 2002. It acknowledges that “Bulgaria has started to design the necessary institutional structures for the implementation of the Structural Funds and the Cohesion Funds after accession” and “must now implement the government decision of 2002”. In this relation, the Commission addresses its critical comments to:

- the existing mechanisms of coordination and management for the implementation of the strategy on structural funds;
- insufficient clarification of the tasks and responsibilities of the bodies or authorities involved in the preparation and implementation of Structural and Cohesion Funds;
- the insufficient administrative capacity of managing and paying authorities;
- limited coordination and cooperation between ministries, as well as with relevant agencies and stakeholders;
- the lack of regional partnership structure and of transparent involvement of regional and local stakeholders, including economic and social partners;
- no real application of the partnership principle at the existing Commissions for Economic and Social Cohesion;
- No appropriate systems of financial management and control established”.

Further in its assessment the Commission specifies the following action-lines:

- “the mechanisms of coordination and management for the implementation of the strategy on structural funds needs to be refined”.
- The administrative capacity of managing and paying authorities must be improved and “brought up to the level required for Structural Funds and Cohesion Funds implementation”.
- Inter-ministerial co-ordination remains limited and should be improved.
- Further clarification of the tasks and responsibilities of the bodies or authorities involved in the preparation and implementation of Structural and Cohesion Funds.
- There is a need to strengthen the existing Commissions for Economic and Social Cohesion and to undertake further steps to enhance the application of the partnership principle.
- Appropriate systems of financial management and control need to be established, which requires setting up of bodies, structures and specific procedures for financial control, auditing, certification of expenses and correction of irregularities. A matter of concern in this relation is the adequate separation of functions within the implementation structure.

The assessment and the recommendations made by the EU Commission are based on the level of compliance of the existing institutional system in Bulgaria with the relevant acquis of the EU where explanations for the divergence of reform outcomes are elaborated, mostly relating to EU context and patterns. In this format, most of the observations have been made with the idea of structural funds regulations and supporting legislation. The analysis to follow, however, does not consider compatibility with the acquis of the EU as the only indicator of progress in institutionalization. This, it is built on the premise that the “institution building” in the field of regional development in Bulgaria is not only a matter of implanting the structural funds regulations and the relevant Commission guidelines or of copying other countries’ institutions. Furthermore, the Structural and Cohesion funds framework may not be considered to be a synonym of regional policy but just an extremely important part of it /Hauser, 2001/. In this line of reasoning, what is expected of Bulgaria as an EU candidate is not to create separate artificial

structures from the perspective of ministerial competences and administrations but to ensure that all responsible ministries undertake the reorganization necessary as to ensure the effective absorption of the considerable sums from the EU funds. It accepts that institutionalization presupposes that actors expected to contribute to the prosperity of regions participate within the new regulatory framework in a cooperative manner /Martin Brusis, 1999/. The adoption of institutions and procedures to implement the EU cohesion policy but will certainly not be a sufficient precondition to achieve balanced and sustained economic growth, as demonstrated by the various degrees of convergence attained by poorer EU member states in the last decade. New institutional arrangements built in Bulgaria with regard to regional policy come as an interplay between the county-specific legacy, the evolution of regional policy concepts, the changes at the central government level, the actors constellation and the external impact of the EU on the emergence of nation-specific policy pattern. In this respect, institution building in Bulgaria needs to be assessed on the basis of more comprehensive performance indicators.

Under this extended platform of assessment, and in addition to the above mentioned critical comments made by the EU Commission, the following observations are made:

- Bulgaria belongs to the group of countries with a late and mostly EU-driven institution building /Brusis, Kamenova/. This fact has been reasoned with the fact that “the country inherited a strongly centralist tradition of state administration and government where direct central control over district governors featured as an important instrument to ensure policy implementation”. Moreover, during socialist years sectoral priorities prevailed against regional concerns. Such argumentation brings us an example more or less familiar from the other CEECs records. What counts now is the slow progress of Bulgaria towards modernizing its RD system and establishing an institutional framework which assigns new roles to regional political and economic actors./Brusis/. One reason for is the general lack of political consensus with respect to the role to be played by the regions. Second, as long as cooperative relations among economic, social and political actors have not yet become a “generally accepted objective of economic policy”, concepts of “modern” regional policy are difficult to implement. Reform proponents failed to convincingly link the issues of necessities and opportunities and make a convincing case that institutions need to be built not only as a response to requirements set by the EU patterns but as an effort to make use of opportunities and enhance development through channeling interests and capacities of various stakeholders. In addition, regional problem awareness and activity may support institution building and becomes necessary in decentralization of regional policy making.

- The institutional system of regional development as it is now appears a very heavy and bureaucratic system with unclear allocation of competences and responsibilities, some of them overlapping. This makes it difficult to achieve accountability, transparency, effectiveness or efficiency. In the absence of appropriate systems of financial management and control, specific bodies, structures and procedures for financial control, auditing, certification of expenses and corrective measures, the system is left to function without check and balances mechanisms. The very existence of so many structures to ensure coordination among the various authorities and actors in regional development sheds a shadow of a doubt as to its ability to function smoothly as a coherent system. As incoherent and inflexible as it is now this system generates potential for conflicts among the various players and fails to internalize and make use of their potential to the detriment of the common cause.

- PPP principle is not sufficiently followed in the institutional organization. Indeed, the concrete role of social partners, organized civil society, business entities in regional policy is not clear.

Their participation in regional councils is made dependent on an invitation by the regional governor which magnifies the potential for limiting the participation of stakeholders in regional policy. The growing potential of local governments and their associations for development has not been internalized as their involvement in formulation and implementation of regional policy remains limited. In such format, the system remains rather inflexible and not able to generate new partners, initiatives, potential and make use of opportunities.

- Among the most serious and not yet solved problems of the current institutional structures for regional development are related to regional governors. Indeed, there is no functioning mechanism to enable the regional governor effectively endorse regional policy at district level. Regional governors are not in position to present the government policy in its entirety as they have no competence to effectively coordinate among the responsible ministries. Financial and operational capacity is limited due to the current status of dependency and subordination of regional governments. At present, regional governors lack financial means for implementation or participation in development projects. The importance of their role is dramatically reduced as they are responsible for the preparation of plans, but have no opportunity to actively participate in the endorsement of these plans.

#### **2.3.2.4. Developments, Trends, Framework for Reform**

The institutional design of new meso-level of governance in Bulgaria can be understood as a development induced by the interaction of three key factors, including: historical and geopolitical determinants; EU requirements and the specific economic and political context of transition, including government policy. Strengthening regional level, referred often to as “the golden key” to the structural funds is and remains a major issue in regional policy in Bulgaria. Unfortunately, neither of the acts offers a satisfactory solution to the number of interrelated and interdependent issues related to the participation of regional level of governance in formulation and endorsement of regional policy in Bulgaria. Referred to are issues related to administrative role, allocation of competences and responsibilities, application of the partnership principle, coordination, financial competences at district level. Problem areas are often misunderstood and discussed in related, but still different contexts. Thus, discussions often remain limited to minor issues or dissolve into the big policy issue of the public administration reform including introducing a second tier of self-government at district level. In this context it becomes essential to discuss policy options in context only and keep track of priorities, feasibility of reforms, costs of reforms, stages of the reform, and of course, of its timeframe.

The framework for reform into the direction of strengthening meso-level of governance with respect to regional development in Bulgaria encompasses:

- Strengthening the six planning regions administrations
- Defining the new role of regional governors and district councils in formulation and endorsement of regional policy. The effectiveness of regional development will remain low, if the district as a major level of planning remains detached from financing. The district administration, which is supported solely by the budget for implementing its daily activities and is not a primary distributor of credits is not in position to secure the actual implementation of plans. In this respect, the competence of regional governor should be expanded as to include responsibility for distribution of financial sources from the ministries

to the districts. A policy option here is that district administrations become juridical persons and primary distributors of budget credits. Each regional governor should carry responsibility for the finances related to the development of the district. Regional governors together with the district council should be made able to conclude agreements for approved district projects with the other participants. In this relation, he should also be given the competence to transfer to its beneficiaries the consolidated financial means, managed by him and directed for joint financing of the approved district projects. In compliance with the EU practice, it may be possible to establish regional funds for regional development under the management of regional governors and district councils. Unfortunately, the current Act of 2004 steps back from the idea of Regional Development Fund at central level, proposed by the previous draft. Such policy turn, reasoned in a not very convincing manner with the Currency Board Regulations, shed a shadow of a doubt on the feasibility of setting up regional development funds as well. Furthermore, especially in building regional institutions, regional, local municipal autonomous leadership on all levels /economic, scientific, social, etc./is essential /Sklavounos/. In this respect the composition of district councils is an important factor to minimize potential conflict of interests tension, facilitate the process of finding common interests, promoting constructive attitudes in using opportunities.

- Within the institution-building process strong emphasis requires capacity-building within institutions-which is meant as a capacity to participate, formulate, manage, implement and assess in accountable and transparent way.

### **3. Programming/ Planning/ Financing of Regional Development Policy**

#### **3.1. Programming/ Planning Regional Development**

##### **3.1.1. Territorial organization: Planning Regions and Regions for a Purposeful Impact**

In addition to its formal administrative- territorial units and for the purposes of efficient regional policy, Bulgaria has introduced two types of regionalization by establishing planning regions and regions for a purposeful impact.

Planning regions are based on the Regional Development Act of 1999. It establishes six planning regions as a basis for planning, implementation and monitoring of regional initiatives on decentralized basis. They are meant to become the foundation for applying the partnership principle in compliance with the EU practice. The Council of Ministers Decree 145/17.07.2000 and the Internal Statute of the Ministry of Regional Development regulate the planning regions and determine their territorial scope, centers, as well as their institutional basis. Commissions for Economic and Social Cohesion /CESC/ have been set up in all six planning regions, entrusted with competences for the endorsement of regional development plans and programs prior to their submission by the Minister of Regional Development to the Regional Development Council, selection of projects and some monitoring functions.

Based on the Regional Development Act are also the regions for purposeful impact, determined as to facilitate the regional development measures, as well as the endorsement of specific initiatives to satisfy concrete needs. The determination of the Regions for Purposeful Impact has been based on criteria such as the level and dynamics of economic development, the economic

structure, the level and the dynamic of unemployment, the social infrastructure, etc. Municipalities are used as a main territorial unit.

The EU Commission has acknowledged in its Regular Report 2002 that concerning territorial organization, Bulgaria has already agreed with the Commission on its provisional NUTS classification /six planning regions corresponding to NUTS II/. It has been restated that “more work to adopt the framework legislation is needed to implement the *acquis* under chapter 21”.

In the eyes of the drafters of the new Regional Development Act “Planning regions had no administrative structures. This fact, coupled with the lack of political vision with regard to the establishment of a second self-government level, reduced the government policy in the new regions to almost token action. Besides, those regions were too different in terms of territory and population”.

Noteworthy is that both planning regions and regions for purposeful impact attract lots of criticism. Unfortunately, sometime it misses its point. To exemplify is the above reasoning from the new Act focusing on the way regions have been formed and more specifically, on the fact that they are different in terms of territory and population. There are commentators that agree /Tilkidjiev, 2000/ or disagree with such position /Marinov, 2002/. However, this debate seems out of context as the formation of relatively small number of regions to satisfy the territorial requirements to units of NUTS II level turns the composition of homogeneous regions an impossible mission.

Real policy issues in functioning of the six planning regions, however, remain.

A fundamental problem is that now they are just framework without real contents, which makes them seem somehow artificial. In my opinion, important here is the approach. As long as we take the planning regions as a step imposed by the structural funds regulations and question their role and function we have little chances to make them alive and turn them into important units in managing the structural funds. Formally, beyond the institutions created /the territorial units of the Ministry of Regional Development in the regions and the Commissions for Economic and Social Cohesion/ little has been done to encourage the formation of PPP at this level. They have no financial resources of their own. At this stage of development, these units attract either criticism or expectations. Thus, commentators note that “it still remains to be seen whether they would become a territorial basis for partnership and coordination of the regional development initiatives”/Sklavonous, 2002/, or that they may become the foundation of eventual regional self-government in Bulgaria /Ivanov, 1999/. Indeed, the institutions at this level will continue to not yet have the capacity to effectively manage the programs at regional level if they are perceived as an excessive obligation rather than as an opportunity to contribute to building up the nexus between the central and local units with competence in regional policy. In terms of institutions building this means that units at this level should be so composed as to strike a balance between interests of various ministries and regional governors. A matter of concern in this line of reasoning remains how the new Act on Regional Development sees the composition of the CESC set in the planning regions and whether it creates preconditions for these administrative units to become flexible, proactive and pro-partnership institutions-motors for development at this level. The answer, however, is not satisfactory enough. The proposed composition with a major constituent- appointees from the various Ministries suggest more de-concentration than decentralization. In the format proposed it does not sufficiently guarantee the balance of interests, does not offer a mechanism for avoiding and balancing inherent conflicts and provides

little if any incentives for establishing partnerships. Furthermore, as long as these units do not become centers with real functions and role in programming, planning and managing by involving actively various stakeholders, encouraging their participation and so accumulating potential and experience, administrative capacity is hard to be built or imported from the centre.

### 3.1.2. Programming/Planning Cycle

The basic documents that constitute the policy and legal framework of planning regional development in Bulgaria in addition to the legislation governing regional development are:

- The National Economic Development Plan /NEDP/
- The National Regional Development Plan /NRDP/
- The National Agricultural and Rural Development Plan /NARDP/

With regard to planning, certain progress has been already made. Strategies and regional development plans have been created at various levels /local, district and regional/, which have been further summarized in the National Regional Development Plan /NRDP/.

On the other hand, the National Economic Development Plan 2000-2006 /NEDP/, enacted with Council of Ministers Decree № 670 of 27.10.1999., contains a separate section /5/, dedicated to the sustainable and balanced regional development. The programming and planning process at level NUTS II has been expanded to cover all six planning regions in year 2000. The objective is to create an interactive mechanism for consulting, coordinating and balancing the national, regional and local interests and initiatives through a balanced and coordinated system of planning documents. The two major documents related to regional development /the NRDP and NEDP/ register an ambition to attain compliance regarding objectives, strategies, principles. Moreover, they evidence a concern to improve the institutional aspects and promote the main principles of the structural funds- concentration, programming, planning, additionality and partnership. For the period of its function the insufficient coordination between these two parallel systems of planning have been acknowledged, leading to heavy and inefficient planning process. The need to simplify the procedures related to planning, monitoring and assessment of planning documents and the further integration of the NRDP and NEDP has been internalized. In this relation, a Decision of the Ministry of Regional Development of November, 2001 declares the NRDP to be an integral part of the NEDP. In addition, the Commissions for Economic and Social Cohesion have been established.

With particular focus on programming, the EU Commission in its Regular Report 2002 acknowledges the institutional changes undertaken by Bulgarian government /a new department of programming and coordination set up within the General Directorate of the Ministry of Regional Development; the Agency for Economic Analysis and Forecasts at the Ministry of Finance assigned to coordinate and update the National Development Plan/. Beyond that, the comment of the Commission is that “little has been done to prepare for the application of the partnership principle”. It notes that by virtue of a regulation of the Ministry of Regional development from November, 2001 the National Plan for Regional Development will form an integral part of the National Development Plan.

In the assessment of the Commission, with regard to programming, “there is little capacity to discuss and clarify development priorities both at national and regional level and to identify proper projects. Coordination and cooperation between ministries, as well as with relevant agencies and other stakeholders, remain limited.” This, in view of the Commission, has led inter alia to rather unsatisfactory management of some of the pre-accession funds that help Bulgaria prepare for the Structural and Cohesion Funds. The recommendations continue with stating that “more progress is needed in further developing the NEDP so that it can serve as the basis for the establishment of a development plan as required by the Structural Funds Regulations. The



quality of this document has to be enhanced as to comply with the Structural Funds acquis. This has been interpreted to include “further embedding the National Development Plan in national policy-making as well as consultation of relevant stakeholders, including economic and social partners”. The Commission underlines that as there is no regional partnership structure and no transparent involvement of regional and local stakeholders, there is a need to strengthen the existing CESCAs and to enhance the application of the partnership principle. Further the Commission raises the concern that financial management and control need particular attention as Bulgaria’s budget legislation does not provide for multi-annual budget programming and flexibility required for the implementation of the Structural Funds programs.

In the view of the drafters of the new Regional Development Act of 2000 the Act of 1999 “has established a system of non-coordinated, frequently overlapping and inefficient planning documents, failing to comply with the requirements for the form and content of such documents in the acquis”. Furthermore, “the regulation of the development of various types of plans, programs and strategies under the Act, as well as their volume and content, was far from being complete. That led to big problems in the development and implementation of planning documents and the need for extensive secondary legislation adopted by the Council of Ministers and interpretative letters of the Ministry of Regional Development and Public Works”.

Weak programming dominated by too general analytical and conceptual documents; municipal and/or regional projects submitted within the framework of regional development plans are in the approval process for a considerable period of time without a decision as to their status. It is a common practice that projects are repeatedly submitted without the perspective of their potential for funding; the projects submitted for approval to Central Government from local and regional authorities are subject to continuous lobbying to relevant Ministries by local and regional officials as well as MPs. This illustrates the lack of fixed, transparent criteria and ex ante assessment. The projects and programs prepared at the regional and local levels are focused on accessing EU and other external funds and are not locally driven with a view to mobilizing local resources.

The planning of regional development in Bulgaria suffers serious drawbacks; planning documents are often non-coordinated, frequently overlapping and inefficient and they fail to comply with the requirements for the form and content of such documents in the acquis; the regulation of various types of plans, programs and strategies under the current Act, as well as their volume and content, is far from being complete. That caused serious implementation problems and required extensive secondary legislation. There is no appropriate regulation of the system for monitoring (supervision and evaluation) of the actions for implementation of planning documents. There is lack of clarity with regard to the criteria and indicators underlying the evaluation of the progress in the attainment of the objectives of various plans and programs or the adjustment of inappropriate management decisions.

The new Act in its Chapter Two Strategic Planning of Regional Development regulates the system of strategic planning documents for the formation and implementation of the regional development policy. The system includes four documents, i.e. the National Regional Development Strategy, Regional Development Plans, Regional Strategies and Municipal Development Plans. Matters related to the National Development Plan are considered to fall beyond the scope of the act. The main planning document of regional policy is intended to be the

National Regional Development Strategy, integrating its major provisions with the forecasts of the National Development Plan, thus becoming part of the latter. The draft regulates the content of the various planning documents, their relationship and the manner of their implementation. The Minister of Regional Development and Public Works is supposed to issue Regulations on the volume, content, terms and conditions for the drafting, adoption and implementation of planning documents.

With regard to this Act in its Planning Section, points of concern are:

- It is necessary to secure the legal possibility to update and amend the National Strategy for Regional Development, define the hypothesis where this is possible and the related competences /??./?. The same applies to the other planning instruments.
- It should be defined at maximum precision level which administrative units are responsible for coordination of planning instruments and establish formalized procedures, duties and responsibilities in this respect.
- Major critical comment to the New Act focus on its ability to secure sufficient representation and participation of stakeholders at local level including municipalities and economic and social partners in the activities in activities related to programming, planning and monitoring regional development. There is no mechanism for coordination of stakeholders at local level with regards to planning. The experience of the other applicant countries demonstrates the use of applying a complex approach at municipal level for consolidated preparation of local development strategies, city division plans and multi-annual financial-investment programs.
- The planning documents shall be strategic document drawn up in full conformity with the forecasts of the National Comprehensive Planning and Development Chart under Article 100 of the Physical Planning Act. At the moment there is a lack of coherence and comprehensive approach at the municipal level that would integrate development strategies with urban planning instruments. Additionally, some of the general urban development plans are very outdated and do not reflect a proactive development approach. The practice of urban planning is typically based on approach centered around physical plan elements rather than on a process that incorporates the current or projected economic, social and environmental dynamics of urban development. This results in a reactive rather than a proactive approach to urban planning. Amendments to the detailed urban plans are often made on a case-by-case basis and their cumulated effects often do not relate or run counter to the general objectives of the city development and the general development plan. Additionally, the case-by-case approach with the lack of the legally required monitoring and reporting to the City Council, does not give Council members the opportunity to rule on changes to the general urban plan as would normally be required by law. Urban planning has a low priority regarding the allocation of municipal funds for preparation of amendments both to the general urban plan as well as to detailed plans. Preparation of amendments to the detailed urban plans are often funded by developers and this situation invites corruption. Under the current (recently approved) legislation, general development plans focus only on “urbanized areas” and are not concerned with the entire municipality. This results in the lack of integrated and coordinated views of infrastructure and environmental issues within the entire municipality and between the urbanized settlements.

### **3.1.3. Trends, Development, Framework for Reform**

The latest developments in the field demonstrate an ambition to establish new institutions and delegate new competences within the existing institutions towards improving the mechanism of programming, planning and control over regional development. There have also been efforts to improve inter-ministerial coordination.

The new Act of 2004 aims at promoting the principle of strategic planning and planning at national, regional and local level by means of:

- Integrated approach to economic and regional development;
- Integrated approach to regional and spatial planning;
- Coordination of all elements of the structural funds assistance- national funds, EU funds, private investments, etc.;
- Improving the operational framework of regional development by establishing the Regional Development Action Plan;
- Improving the system of selection of projects at local, regional and national level by considering their impact assessment and efficiency.

## **3.2. Financing Regional Development**

The establishment of a Regional Development Fund has been provided for by the Municipal Budgets Act of 1998 /Art. 39/. Its institutional and operational set up should have been regulated by virtue of a law. At present, however, the lack of such fund, also as a future partner of the European Regional Development Fund is being assessed as a serious limitation to endorsement of regional policy

Legislative developments in the field evidence lack of political will on the side of the legislator to undertake steps in this direction. Different from the previous Draft, prepared in the summer, 2002, which provided for establishment of a National Fund “Regional development” as a major source of financing regional development, the new Act has stepped back from this idea.

## **4. Policy Profile of Regionalization and Regional Development Profile of Bulgaria – A Brief Overview**

### **4.1. Policy Context**

The environment for regional policy is becoming increasingly complex. With negotiations for the accession to the EU underway, the key challenge for policy makers in Bulgaria at central, regional or local level is to think afresh and novel about the type of regional policy Bulgaria needs that is appropriate for an enlarged EU.

The complexity of regional development environment is hard to measure and analyze. Policy development and regional policy spending are often based on inadequate data and ad hoc solutions.

Regional policy in Bulgaria, especially at national level is failing to adapt to the new economic, political and social environment and also failing to efficiently use the opportunities related to its preparation for accession to the EU. It does not only demonstrate a highly insufficient level of absorption of the pre-structural funds, but fails to sufficiently quickly adapt to the new philosophy of enhancing development through making use of new instruments, forming efficient public-private partnerships, thinking of development proactively, with a vision of opportunities and cooperation. The Bulgarian regions have to become ready to compete and cooperate not only within Bulgaria for funds, investments and partnerships.

Regional development policy has been unable to generate a broader coherence with sectoral and other government policies mostly because of weak political commitment. Various stakeholders have not yet internalized sufficiently well their interests with respect regional policy, their potential to positively influence the reform remains unutilized.

## **4.2. Policy Issues**

Specific issues that present the current profile of regionalization as a part of the public administrative reform in Bulgaria include the following:

- Despite the progress in administrative decentralization made, fiscal decentralization of local governments is still not completed and raises serious concerns. Steps in the reform process are often inconsistent which affects negatively its creditability. The limited scope of powers and resources of regional governments remains a concern. More extensive decentralization will depend on the approach of the central government though there is no sound evidence for the moment for such policy direction. A radical reform towards establishment of regional self-government, which is a costly and complicated undertaking, is not a priority in public reform sector, but it also does not exclude the evolution toward greater levels of regional self-government, if the country is committed to moving in that direction in the future. Besides that a concept of the reform and public administration model is needed.
- The reform towards greater representation of regions bears an enormous complexity where various interrelated issues are presented, including sectoral policies, education, healthcare, state aids control, etc. Given the scarcity of public funding the reform has very high costs.
- Regionalization is not a powerful factor in social and political life yet. In fact, regional interests are not sufficiently developed and effectively presented in Bulgarian society. Regionalization within political parties and MPs that could influence specific decisions in Parliament and in government is a marginal one without prospects for sustainability. Real needs of society in this respect are inadequately studied and addressed in policy development work.
- The political environment with respect to regionalization is unstable and fragmented. No public and political consensus exists on the direction and further scope of the reform.
- Regionalization and public administration reform have not been supported by an efficient information and media campaign. The public is rarely and insufficiently informed about anticipated reforms. As a result, there is mostly professional, but almost no public debate on regionalization.
- Public policy development in Bulgaria occurs within a closed circle of political party and state institution representatives and lacks a complementary process of broad and open public discussion; in most cases public policy is set by power rather than based on informed policy analysis; elaboration and presentation of policy options and related policy outcomes and

elements of professional policy making are still in deficiency in the Bulgarian policy development cycle; transparency is and remains a major problem in the policy process as the quality of policy alternatives development if any is relatively low and there is a lack of clear criteria for policy selection

- Many interests are involved in the reform, including political parties, state bureaucracy at the central and local level, interest groups, municipalities, associations of municipalities, etc. Those interests are often misunderstood, inadequately communicated and channeled and as a result of this, insufficiently promoted.
- The third sector has demonstrated inadequate resources and capacity to address regionalization- i.e., public administration reform and regional development in successful short-term and efficient campaigns. The regional tier of the third sector is still characterized by unbalanced development, lack of vision and workable strategies and lack of resources. The central tier of the third sector and in particular, the strongest actor in the field: the National Association of Municipalities in Bulgaria is still too much under pressure of the fiscal decentralization reform deadlock and yet to elaborate a strategy on how to face this very complex issue. The sector's campaign in favor of public administration reform was more or less self-centred as it does not make too many efforts to attract other stakeholders but relies on politician's promises mostly. In a case where those promises never come true, the dilemma of the sector is that its campaign is sufficient only within the sector itself but does not represent the public and the debate remains too much within the limitations of professional and not essentially public debate.
- Greater attention is being paid to territorial issues, such as centers, borders. The ethnic composition of particular regions remains a concern not being sufficiently addressed.

In addition to the above stated features of regionalization in Bulgaria as a part of the public administration reform, specific issues that present the current profile of regional development policy in Bulgaria include the following:

- A sound and effective regional development policy is one of the accession priorities for Bulgaria. Bulgaria as a transition country faces serious problems in both formulating and especially in implementing such policy. In 2001 Bulgaria had to return over 40 million Euro to the EU since it did not have the administrative wherewithal to absorb it. However, the future availability of these funds constitutes an important incentive to make rapid improvements in the system.
- The current legal framework covers all the areas of development processes. A need of a new Regional Development Act has been recognized
- Notwithstanding the progress in setting up the legislative and institutional framework of regional policy in Bulgaria, it still lacks coherent, systematic and long-term vision regional development policy and political vision and will to address regional disparities and regional development;
- lack of administrative capacity to address regional development /human capacity, trained specialists, resources/;
- The current institutional structure in formulating and implementing regional development appears a system with overlapping responsibilities, insufficiently clear functions of the authorities involved, making it difficult to achieve accountability, transparency, effectiveness or efficiency/ Sklavounos, 2002/. It is a system that has a great potential to generate conflict among civil services, ministries, regional and local units of government. There is not yet an effective

system for coordination and control in place. centralization of powers and resources; institutional capacity centralized at state central level. The role of elected authorities is insignificant. Regional governors are in fact incapable of effectively addressing regional development and unable to represent the government's policies in an integrated, comprehensive manner due to the lack of subordination of the regional representatives of the line Ministries. Even if the law gives Governors the authority to coordinate the line ministries, the Governors lack the tools to do this effectively. They do not have the financial means to implement or participate in implementation of development projects. The relevance of their position is minimized by being responsible only for preparation of the plans, but they are unable to actively participate in their implementation. municipalities and associations of municipalities have a great potential to participate in regional development but this potential has not yet been internalized.

- The 6 planning regions established remain an issue and had to be Planning regions had no administrative structures. This fact, coupled with the lack of political vision with regard to the establishment of a second self-government level, reduced the government policy in the new regions to almost token action.

- Weak programming dominated by too general analytical and conceptual documents; municipal and/or regional projects submitted within the framework of regional development plans are in the approval process for a considerable period of time without a decision as to their status. It is a common practice that projects are repeatedly submitted without the perspective of their potential for funding; the projects submitted for approval to Central Government from local and regional authorities are subject to continuous lobbying to relevant Ministries by local and regional officials as well as MPs. This illustrates the lack of fixed, transparent criteria and ex ante assessment. The projects and programs prepared at the regional and local levels are focused on accessing EU and other external funds and are not locally driven with a view to mobilizing local resources.

- The planning of regional development in Bulgaria suffers serious drawbacks; planning documents are often non-coordinated, frequently overlapping and inefficient and they fail to comply with the requirements for the form and content of such documents in the acquis; the regulation of various types of plans, programs and strategies under the current Act, as well as their volume and content, is far from being complete. That caused serious implementation problems and required extensive secondary legislation There is no appropriate regulation of the system for monitoring (supervision and evaluation) of the actions for implementation of planning documents. There is lack of clarity with regard to the criteria and indicators underlying the evaluation of the progress in the attainment of the objectives of various plans and programs or the adjustment of inappropriate management decisions

- strong influence of sectoral approaches; fragmented and uncoordinated sectoral policies, lack of state aids control rules;

- Scarce financial resources to finance activities related to regional development; lack of clarity with regard to the identification of the sources and mechanisms of financing or a system for expedient and lawful appropriation of resources;

- There was no legal regulation ensuring the establishment of an information system for the needs of regional development.”

- Regional/District development strategies do not have corresponding spatial territorial schemes. The result is that municipal urban development plans do not incorporate regional development schemes and applications for funding do not contain the spatial component that is required by law.

- There is a lack of coherence and comprehensive approach at the municipal level that would integrate development strategies with urban planning instruments. Additionally, some of the general urban development plans are very outdated and do not reflect a proactive development approach. The practice of urban planning is typically based on approach centered around physical plan elements rather than on a process that incorporates the current or projected economic, social and environmental dynamics of urban development. This results in a reactive rather than a proactive approach to urban planning.

- Amendments to the detailed urban plans are often made on a case-by-case basis and their cumulated effects often do not relate or run counter to the general objectives of the city development and the general development plan. Additionally, the case-by-case approach with the lack of the legally required monitoring and reporting to the City Council, does not give Council members the opportunity to rule on changes to the general urban plan as would normally be required by law.

- Urban planning has a low priority regarding the allocation of municipal funds for preparation of amendments both to the general urban plan as well as to detailed plans. Preparation of amendments to the detailed urban plans are often funded by developers and this situation invites corruption.

- Under the current (recently approved) legislation, general development plans focus only on “urbanized areas” and are not concerned with the entire municipality. This results in the lack of integrated and coordinated views of infrastructure and environmental issues within the entire municipality and between the urbanized settlements.

- At all levels of public administration, there is “good will” and a wish to undertake all work in a professional manner.

- Due to active donor involvement, there is a visible and responsive attitude among local partners in the development process.

- Statistical information to help regional planning is sorely lacking.

- The National Council on Regional Development should be open to participation from more NGOs; at present only the NAMB participates.

- Regional Councils don’t function effectively; many who are asked to participate at the local and regional level in regional planning meetings don’t see their efforts impacting policy or planning; they feel disconnected from the decision-making that happens in Sofia and don’t recognize their suggestions in final selection of projects.

- “Partnership” is not well understood, whether in terms of the layers of government, or in terms of shared public-private interests.

- Regional policy and regional planning efforts must be closely coordinated with economic planning.

- Regional Councils do have a basis in law, but there is no mechanism to ensure their plans have adequate weight.

- The role of the state should be to set national priorities and objectives, then let the regions decide how they wish to work towards them. National priorities, however, are not clearly defined.

### 4.3. SUGGESTED FRAMEWORK FOR REFORM

Against the background of the shifting context of regional policy in Europe after enlargement, there are various levels at which the future of regional policy in Bulgaria needs consideration. At a pragmatic level, there are a series of possible options that essentially entail adjusting current mechanisms to a greater or lesser extent to consider changing circumstances, cure weaknesses, achieve greater efficiency, etc.; in essence, these steps involve more continuity than radical reconsideration and shift of policy. At a strategic level, however, there is a case for revisiting some of the fundamental questions concerning the design, formulation and implementation of regional policy in Bulgaria.

#### A. Policy Options

With respect to the possible options, these theoretically range from maintaining the status quo with some minor modifications in revising the framework under the EU influence, at one extreme, to a radical change in regionalization in Bulgaria including introducing a second-tier of regional self-government, at the other end of the spectrum. Between these extremes are several plausible options for furthering the regional policy reform in Bulgaria.

##### **Option 1- Maintaining the Current Policy Approach**

##### **Option 2- Radical Reform towards Establishment of Regional Self-government**

This research does not exclude the evolution toward greater levels of regional self-government, if the country is committed to moving in that direction in the future.

##### **Option 3- Redefinition of Roles and Responsibilities in Regional Development at the Legal and Operational levels, Optimizing Programming/Planning Cycle and Financing Mechanisms, Increasing Capacity for Absorption of EU Funds; Making PPP operational, Integrating policies: development policy/state aid control and competition policy/ sectoral policies/education and health care policies**

The concept is based on gradual evolution of the current structure of the public sector, rather than on a dramatic, abrupt and costly change. As interrelated and interdependent as they are, the dimensions of the reform stated above have different weight in the reform process, but nevertheless produce a powerful impact on its development. Therefore, any meaningful change in the regional policy system requires that all elements of the system /legal framework, institutional set-up, programming/planning/financing/monitoring, integrating policies/ are reconsidered, redefined and operationalized.

An effort to present the framework for reform of the above elements of regional development system follows.

##### **Redefinition of the roles and responsibilities in regional development at the legal and operational level**

The concept focuses primarily on redefinition of roles and responsibilities among all levels of public administration and argues for institutional reorganization. It builds on the existing framework of local, regional, and central units of government. District structures are maintained as the main operational structure at the regional level and the EU planning regions are



maintained to satisfy EU NUTS-2 planning and monitoring requirements. The proposed scheme provides for greater transparency, effectiveness and accountability in Bulgaria's regional government structure. This is to be achieved by:

Redefining the role of regions in regional development, strengthening regional government by building a representative policy-making body (strengthening the authority and effectiveness of the "council") and strengthening the role of the governor. The region is the appropriate nexus to coordinate central government and local government policies and plans and to formulate programs that are of greater than purely local interest. To fulfill this role, the role of the regional governor as the administrative head and coordinator of central government services in the region must be strengthened with a view toward greater representation. The administrative role of regional governors must be expanded by consolidating de-concentrated central government management and monitoring obligations at the regional level. The Governor should act as the single official government representative, representing line ministries at the regional/district level. Also, regional administration should be strengthened to ensure greater horizontal coordination. A fundamental issue is the financial aspect of regional government operations. The current status of dependency and subordination of regional governments to the state should be considerably reduced. Financial and operational capacity is needed at regional level to enable quick decisions on the real financial and property base, consolidate regional budgets and enhance decision-making and programming activities. This should include responsibility over ministries' regional financial allocations. Each Governor should have responsibility over his district's development finances. The consolidated funds managed by the Governors for co-financing of approved regional/district-based projects will be transferred to the beneficiaries under contracts signed by the Governor and by the Development District Council

The policy making authority and representative character of regional development councils or commissions must be strengthened and their effectiveness improved. The Regional Council becomes the deliberative body responsible for approving development strategies and plans and coordinating local programs. It would have a secretariat responsible for the preparation and implementation of district regional strategies. The strategy approved by the Council should be subject to review and opinion of the Governor. Because of its increased deliberative role, the composition of the council can be viewed in many ways. All options build some degree of democratic representation on the regional council, but some options tend to promote municipal adherence to regional activities while others promote more accountability to the region as a unit. In any circumstance, the number of council members should be kept relatively small to promote efficient decision making. Options include the following:

Designated council: members are designated by law and include the mayor of each municipality in the region and the representative of municipal council as well as representatives of other key stakeholders, i.e., business, industry, citizens groups. [This option represents the existing condition]

Mixed designated-elected membership: Each municipality would designate a representative and there would be a similar number of members elected on a region-wide basis.

Elected membership: the entire membership is elected from the region either on a region-wide or ward basis.

Releasing Central Government from day-to-day reactive relationships with local issues and allow them to focus on countrywide policies and projects.

Completing decentralization at local level and especially the financial decentralization of local governments; increasing the capacity of municipalities to absorb EU funds and mobilize required

local revenues and human resources; facilitating increased coordination and cooperation among local governments on local and regional development issues.

Stabilizing territorial administrative division. Stabilize and clearly define the role of the six planning NUTS regions. The adoption of the six planning regions also in the case of regional government generated problems in the integrity of the system. As both planning regions and districts appear to be a meso-level of government and both have important role in regional development their relationship and scope of competence related to regional development needs to be clearly defined.

The danger of deadlock in a multi-level framework with a high number of participants and diverse areas of independent policy making can be successfully circumvented by differentiation of decision-making structures and a balanced mixture of different modes of governance /hierarchy, competition and cooperative networks/.

#### Optimizing Programming/Planning Cycle and Financial Mechanisms

Develop a comprehensive approach at the municipal level, both in law and practice, for consolidated preparation of the local development strategies, urban development plans and financial multi-year investment programs. This shall mainly involve revisions to the spatial development act subsequently to the regional development act and their by-law regulations as well as preparation by the government and development district councils multi-year (3 to 6) projections of available capital investment funds. The practice should be coordinated with a calendar for the preparation of relevant planning documents.

An enhanced development planning process across all levels of public administration needs to be introduced.

The partnership and participatory approach as well as the co-financing by beneficiaries should be a basic objective in programming and implementing projects to meet both EU criteria and introduce greater efficiency for the allocation of all development funds within the country.

At the same time, strengthening decision-making about development planning and increasing the importance of resource allocation decisions at the regional level brings with it the need to improve governance structures at that level. Resource allocation decisions in the democratic framework of contemporary Bulgaria must be made in a transparent and accountable manner.

Create a mechanism (legal and financial) and the practice for broader involvement of stakeholders and interest groups in the planning and implementation process.

In addition to partnerships with the private sector, encourage the emergence of civic leadership to identify, respond and mobilize citizens/NGO interests (housing associations, street/neighborhood/city level initiatives, schools, and social services).

Introduce a legal framework and implement the practice for the development of cooperative associations among municipalities in the form of special purpose unions that are recognized as part of the public administration.

Such unions are intended to facilitate integrated implementation and maintenance of mutual development projects, which are of interest to more than one municipality as well as for provision of inter-municipal services. It is the experience of other countries that such special

purpose unions facilitate access of locally driven projects to capital market financing sources, EU funding and other public grants.

Introduce legal and financial mechanisms to create financial predictability at all levels of public administration, especially at the municipal level.

This includes introduction of budget preparation calendars governed by general legal provisions and clear identification of the division between local government and central government funding for local service provision (social, health, education, etc) as well as defining by the Council of Ministers transparent, multi-year funding distribution formulas for regional development.

#### **4.4. AREAS FOR REFORM**

In order to implement the recommended policy options four key areas of co-ordinated intervention should be subject to change and improved: the legal framework, including bylaw regulations; the policy making process, professional practice and media awareness.

##### **4.4.1. Legal Framework Revisited**

The following laws will need to be amended. In the drafting process proposals should be discussed among all affected groups and supported by professional assessments and selected case studies to highlight potential impacts.

**Regional Development Act** should be amended to set up a new structure of the District Regional Councils, define the authorities of Regional councils, define procedure for preparing and updating the regional development plans, strengthen the role of the Minister for Regional Development as a coordinator of government regional development policies approved by the Council of Ministers, define the new role of the Governor in overseeing and coordinating regional development planning and implementation.

**Spatial Planning Act** should be amended as to the scope and process for preparation of the general urban plan. Expand the geographic area covered by the plan to incorporate all of the territory administered by the Municipality, strengthen the responsibility and the method of oversight by the municipal councils for the ongoing review and reporting of changes for urban development as they relate to the general urban plan, verify in the current law and if necessary strengthen the linkages between land management and the introduction of public investments for development.

**Laws on Administrative and Territorial Division and Law on the Administrative Servicing of Natural and Legal Persons** shall be amended as to redefine the position of the Governor as a unified administrator of the consolidated portfolio of activities at the district/regional level. (This may also require changes in the law on Public Finances).

**Law on Local Self-Government and Local Administration** should be amended as to introduce an article describing the position, responsibility and process of establishing the special purpose local government unions. (This may also require changes on the Law on Municipal Budgets).

**By-Law Recommendations:** Draft by-laws regulations should be prepared in accordance with the drafts of the amendments among the related laws to provide a comprehensive and integrated approach and the opportunity to both ensure complementarity and the identification potential conflicts in implementation. The objective of the by-laws, among others, should be to increase the transparency within the planning and implementation process.

#### **4.4.2. Professional Practices**

Improvement of practices should be based on successful pilots, dissemination of good practices, training and the preparation of targeted manuals for government administration. It should also include a review of the current practices for linking city development strategies, the linking of capital investment programs and the municipal budget by providing an integrated calendar for the preparation of plans, consultations, and application of financing mechanisms.

#### **Conclusions**

This paper has dealt with concepts, plenty of norms, practices. As it had much to do with different contexts, it adopted different approaches and tried to capture the political, economic and social environment of regionalization.

The analysis, as any other analysis, remains necessarily limited to some findings and certain conclusions and policy recommendations.

Beyond that, if the clear and fresh mind of the reader allows, one could have grasped a rather complex mixture of political will and political resistance, of hopes and fears. The challenge in writing this paper was to project the idea of development in the area of regionalization. I was inspired to see which responses state, institutions and people find to reallocate the existing scarce resources, redistribute competences of government, transform traditional attitudes and fears and open their mind. This paper is a platform to discuss policy options and develop a vision for the future. Institutions have been examined as a vehicle for regional development. Emphasis has been put on the need to recognize next the dynamic relationship between institutions. The institutional arrangements needed are such as to provide incentives for development, cooperation and production of public goods. Important element is social relations and the incorporation of social partners into the development coalition. Finally, what matters are patterns of politics and political competition and the incentives for politicians to adopt pro-development policies, look to the future and generate public goods. The idea of regional development is about vision and systematic integral approach to development. Its chances to success depend on shared beliefs and joint efforts towards shaping a better paradigm for us all.